

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Springville Township	County Wexford
Audit Date 6/30/04	Opinion Date 12/1/04	Date Accountant Report Submitted to State: March 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

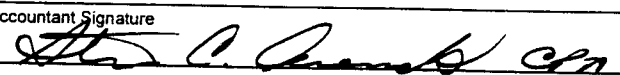
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
		ZIP 49601	
Accountant Signature 			Date 3/28/05

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

JUNE 30, 2004

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SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

JUNE 30, 2004

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MICHAEL D. COOL, C.P.A.

December 1, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board
Springville Township
Wexford County
Mesick, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springville Township, Wexford County, Mesick, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Springville Township, Wexford County, Mesick, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of July 1, 2003.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville Township, Wexford County, Mesick, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

Springville Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Springville Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2004. In future years, comparative information will be provided.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$327,679. Of this amount, \$121,260 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$142,190 a decrease of \$11,601 in comparison with the prior year. About 85.28% is available for spending at the Township's discretion.
- ◆ The Township has no long-term debt as of June 30, 2004.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2004 for Springville Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, cultural and recreation, and other functions. The Township does not have any business-type activities.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain a proprietary fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$327,679 at June 30, 2004, meaning the Township's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore, only one year of data is shown. A useful comparative analysis will be presented in future years when the information is available.

**Springville Township
Net Assets as of June 30, 2004**

	<u>Governmental Activities</u>
Assets	
Current Assets	
Non Current Assets	\$ 143,282
Capital Assets	
Less: Accumulated Depreciation	\$ 305,406
Total Non Current Assets	(119,917)
	\$ 185,489
Total Assets	\$ 328,771
Liabilities	
Current Liabilities	\$ 1,092
Net Assets	
Invested in Capital Assets	\$ 185,489
Restricted for Specific Purposes	20,930
Unrestricted	121,260
Total Net Assets	\$ 327,679
Total Liabilities and Net Assets	\$ 328,771

The most significant portions of the Township's Net Assets are cash investment and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of June 30, 2004. Other liabilities are minimal as of June 30, 2004.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The total net assets of the Township increased by \$12,417 or 3.94% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2004

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Springville Township
Change in Net Assets
for the Fiscal Year Ended June 30, 2004

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 9,185
Operating Grants and Contributions	15,641
General Revenues	
Property Taxes and Assessments	38,285
State Shared Revenue	87,305
Unrestricted Investment Earnings	1,407
Other	6,905
Total Revenues	\$ <u>158,728</u>
<u>Expenses</u>	
Legislative	\$ 5,145
General Government, Administrative	65,408
Public Safety	46,598
Public Works	10,440
Community and Economic Development	6,792
Other Functions	11,928
Total Expenses	\$ <u>146,311</u>
Changes in Net Assets	\$ 12,417
NET ASSETS – Beginning of Year	<u>315,262</u>
NET ASSETS – End of Year	\$ <u>327,679</u>

Governmental Activities

During the fiscal year ended June 30, 2004, the Township's net assts increased by \$12,417 or 3.94% in the governmental funds.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

The most significant part of the revenue for all governmental activities of Springville Township comes from state shared revenues. State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2004, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses that total 44.70% of total expenses. The Township spent \$65,408 in fiscal year 2004 on general governmental expenses. Public safety represented the next largest expense at \$46,598 followed by other functions at \$11,928, these represent 31.85% and 8.15% respectively.

Business-Type Activities

The Township does not maintain any business-type activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Springville Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Springville Township's governmental funds reported combined ending fund balances of \$142,190. Approximately 85.28% of this total amount (\$121,260) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures, such as capital outlay, that will enhance fire protection.

General Fund – The General Fund's fund balance decreased by (\$10,018) which brings the fund balance to \$121,260. Unreserved fund balance represents 88.81% of total general fund expenditures.

Fire Fund – The Fire Fund's fund balance decreased by \$1,583 which brings the fund balance to \$20,930. This balance is reserved and must be used for fire protection.

The Township has contracts with Antioch Township, Hanover Township and Wexford Township for fire protection. This generated \$15,591 in revenues for Springville Township.

Proprietary Fund The Township does not maintain any proprietary funds.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2004

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of June 30, 2004 amounted to \$185,489 net of accumulated depreciation. The total net decrease in the Township's investment in capital assets for the current fiscal year was due largely to depreciation expense of \$15,556.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

*Springville Township
Capital Assets as of June 30, 2004*

	Governmental Activities
Land and Land Improvements	\$ 48,605
Buildings	128,806
Machinery and Equipment	<u>127,995</u>
	\$ 305,406
Less Accumulated Depreciation	<u>(119,917)</u>
Net Capital Assets	<u>\$ 185,489</u>

Long-Term Debt. Springville Township has no obligation for any long-term debt as of June 30, 2004.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease by at least 1.091% in the 2004-05 fiscal year. The Township has budgeted for a larger decrease as more cuts are expected. The Township's millage rate was reduced again by the Headlee Amendment rollback to 0.9830 mills for general operating purposes.

These factors were considered in preparing the Township's budgets for the 2004-05 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Springville Township at P.O. Box 413, Mesick, MI 49668.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	
Due from Other Governments	\$ 129,287
	<u>13,995</u>
Total Current Assets	<u>143,282</u>
<u>CAPITAL ASSETS</u>	
Land and Improvements	48,605
Buildings	128,806
Equipment, Furniture and Vehicles	<u>127,995</u>
	305,406
Less Accumulated Depreciation	<u>119,917</u>
Net Capital Assets	<u>185,489</u>
TOTAL ASSETS	<u>\$ 328,771</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Payroll Taxes Payable	<u>\$ 1,092</u>
<u>EQUITY</u>	
Net Assets:	
Invested in Capital Assets Net of Related Debt	\$ 185,489
Restricted for Public Safety	20,930
Unrestricted	<u>121,260</u>
TOTAL NET ASSETS	<u>\$ 327,679</u>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	BUSINESS-TYPE ACTIVITIES	
					GOVERNMENTAL ACTIVITIES	TOTALS
<u>PRIMARY GOVERNMENT</u>						
<u>GOVERNMENTAL ACTIVITIES</u>						
Legislative	\$ 5,145	\$ 0	\$ 0	\$ 0	\$ (5,145)	\$ (5,145)
General Government, Administrative	65,408	6,117	0	0	(59,291)	(59,291)
Public Safety	46,598	1,255	15,641	0	(29,702)	(29,702)
Public Works	10,440	0	0	0	(10,440)	(10,440)
Community and Economic Development	6,792	1,813	0	0	(4,979)	(4,979)
Other Functions	11,928	0	0	0	(11,928)	(11,928)
Total Governmental Activities	146,311	9,185	15,641	0	(121,485)	(121,485)

GENERAL REVENUES

Property Tax	\$ 38,285	\$ 0	\$ 38,285
State Shared Revenue	87,305	0	87,305
Unrestricted Investment Earnings	1,407	0	1,407
Other	6,905	0	6,905
Total General Revenues	133,902	0	133,902
Change in Net Assets	12,417	0	12,417
<u>NET ASSETS - Beginning of Year</u>	315,262	0	315,262
<u>NET ASSETS - End of Year</u>	\$ 327,679	\$ 0	\$ 327,679

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2004

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>TOTALS</u>
Cash	\$ 108,357	\$ 20,930	\$ 129,287
Due from Other Governments	13,995	0	13,995
TOTAL ASSETS	<u>\$ 122,352</u>	<u>\$ 20,930</u>	<u>\$ 143,282</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Payroll Taxes Payable	\$ 1,092	\$ 0	\$ 1,092
 <u>FUND BALANCE</u>			
Reserved for:			
Fire Protection	\$ 0	\$ 20,930	\$ 20,930
Unreserved			
Undesignated	121,260	0	121,260
Total Fund Balance	<u>\$ 121,260</u>	<u>\$ 20,930</u>	<u>\$ 142,190</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 122,352</u>	 <u>\$ 20,930</u>	 <u>\$ 143,282</u>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total Fund Balances for Governmental Funds	\$ 142,190
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Improvements	\$	48,605	
Buildings		128,806	
Equipment, Furniture and Vehicles		127,995	
Accumulated Depreciation		<u>(119,917)</u>	185,489

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 327,679</u>
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The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2004

	GENERAL FUND	FIRE FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 38,285	\$ 0	\$ 38,285
Licenses and Permits	1,813	0	1,813
State Grants	87,305	0	87,305
Contributions From Local Units	0	15,591	15,591
Charges for Services	2,692	1,255	3,947
Interest and Rents	4,711	121	4,832
Other Revenues	6,707	248	6,955
Total Revenues	141,513	17,215	158,728
<u>EXPENDITURES</u>			
Legislative	5,145	0	5,145
General Government	102,226	0	102,226
Public Safety	0	33,798	33,798
Public Works	10,440	0	10,440
Community and Economic Development	6,792	0	6,792
Other Functions	11,928	0	11,928
Total Expenditures	136,531	33,798	170,329
Excess (Deficiency) of Revenues Over Expenditures	4,982	(16,583)	(11,601)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	0	15,000	15,000
Operating Transfers Out	(15,000)	0	(15,000)
Total Other Financing Sources (Uses)	(15,000)	15,000	0
Net Change in Fund Balance	(10,018)	(1,583)	(11,601)
<u>FUND BALANCE</u> - Beginning of Year	131,278	22,513	153,791
<u>FUND BALANCE</u> - End of Year	\$ 121,260	\$ 20,930	\$ 142,190

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2004

Net change in Fund Balance - Total Governmental Funds	\$ (11,601)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(15,556)
Capital Outlay	<u>39,574</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 12,417</u></u>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2004

	<u>Cemetery Trust Fund</u>	<u>Tax Agency Account</u>
<u>ASSETS</u>		
Cash	\$ 5,367	\$ 9,706
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Other Governmental Units	\$ 0	\$ 9,706
<u>NET ASSETS</u>		
Reserved for Cemetery	5,367	0
TOTAL LIABILITIES AND NET ASSETS	\$ 5,367	\$ 9,706

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Springville Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other

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revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

Springville Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

Additionally Springville Township reports the following fund types:

Fiduciary funds account for assets held by the Township in a trustee capacity or an agent on behalf of others. Trust Funds account for assets held by the government under the terms of a formal trust agreement.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination

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of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

- (I) State statutes authorize the Township to invest funds as follows:
- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
 - (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
 - (c) In commercial paper rated at the time of purchase within two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
 - (d) In repurchase agreements consisting of instruments listed in subdivision (a).
 - (e) In bankers' acceptances of United States banks.
 - (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
 - (g) In mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:

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- i. The purchase of securities on a when-issued or delayed delivery basis.
- ii. The ability to lend portfolio securities as long as the mutual fund received collateral all times equal to at least 100% of the value of the securities loaned.
- iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (1) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).

As used in this section "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County and the balance of school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of the Springville Township totaled \$30,781,667, on which ad valorem taxes levied consisted of 0.9830 mills for the Springville Township operating purposes. This levy raised approximately \$30,311 for operating purposes.

3. *Inventories and Prepaid Items*

Inventories are considered immaterial and are not reflected on the financial statements.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

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Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	20
Vehicles	10
Equipment	5-10

5. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on a basis consistent with generally accepted accounting principles. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on June 4, 2003.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Fire Fund	\$ 33,385	\$ 33,798

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits are owned by several of the Township's funds. At year-end, the carrying amount of the Township's deposits was \$144,360 and the bank balance was \$146,999. A total of \$46,999 of the Township's \$146,999 of total bank deposits are in accounts which exceed the Federal depository insurance of \$100,000 and are uncollateralized. The remaining \$100,000 of bank deposits and investments are in separate accounts which are fully insured.

B. Receivables and Deferred Revenues

There are no receivables as of year end for the government's individual major fund and nonmajor funds in aggregate.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 45,000	\$ 0	\$ 0	\$ 45,000
Capital assets, being depreciated				
Buildings	\$ 89,232	\$ 39,574	\$ 0	\$ 128,806
Land Improvements	3,605	0	0	3,605
Machinery and equipment	127,995	0	0	127,995
Infrastructure	0	0	0	0
Total capital assets, being depreciated	\$ 220,832	\$ 39,574	\$ 0	\$ 260,406
Less accumulated depreciation for:				
Buildings	\$ 1,785	\$ 2,576	\$ 0	\$ 4,361
Land Improvements	180	180	0	360
Machinery and equipment	102,396	12,800	0	115,196
Infrastructure	0	0	0	0
Total accumulated depreciation	\$ 104,361	\$ 15,556	\$ 0	\$ 119,917
Total capital assets, being depreciated, net	\$ 116,471	\$ 24,018	\$ 0	\$ 140,489
Governmental activities capital assets, net	\$ 161,471	\$ 24,018	\$ 0	\$ 185,489

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 General Government

 Public Safety

\$ 2,756
12,800

Total depreciation expense – governmental activities

\$ 15,556

Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2004.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

D. Interfund Receivables, Payables and Transfers

There are no individual fund interfund receivable and payable balances at June 30, 2004.

Interfund Transfers as of June 30, 2004, were:

	TRANSFERS	
	IN	OUT
General Fund	\$ 0	\$ 15,000
Fire Fund	15,000	0
	<u>\$ 15,000</u>	<u>\$ 15,000</u>

E. Long-Term Debt

At June 30, 2004, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE

Reserved		
Fire Fund		
Fire Protection	\$ 20,930	
Cemetery Fund		
Cemetery Endowments	<u>5,150</u>	
Total Fund Balance/Net Assets Reserves		\$ <u>26,080</u>
Unreserved-Designated		
Cemetery Fund		
Cemetery Operations		\$ <u>217</u>
TOTAL FUND BALANCE DESIGNATIONS		\$ <u>217</u>

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET
REVENUES						
Taxes	\$ 52,240	\$ 52,240	\$ 38,285	\$ (13,955)	\$ 0	\$ 0
Licenses and Permits	1,750	1,750	1,813	63	0	0
State Grants	104,650	104,650	87,305	(17,345)	0	0
Contributions From Local Units	0	0	0	0	15,591	15,591
Charges for Services	2,300	2,300	2,692	392	1,000	1,255
Interest and Rents	2,400	2,400	4,711	2,311	100	121
Other Revenues	7,300	7,300	6,707	(593)	600	248
Total Revenues	\$ 170,640	\$ 170,640	\$ 141,513	\$ (29,127)	\$ 17,291	\$ 17,215
EXPENDITURES						
Legislative	\$ 50,050	\$ 50,050	\$ 5,145	\$ 44,905	\$ 0	\$ 0
General Government	63,530	63,530	102,226	(38,696)	0	0
Public Safety	200	200	0	200	33,385	33,798
Public Works	5,500	5,500	10,440	(4,940)	0	0
Community and Economic Development	7,400	7,400	6,792	608	0	0
Other Functions	24,300	24,300	11,928	12,372	0	0
Total Expenditures	\$ 150,980	\$ 150,980	\$ 136,531	\$ 14,449	\$ 33,385	\$ 33,798
Excess (Deficiency) of Revenues Over Expenditures	\$ 19,660	\$ 19,660	\$ 4,982	\$ (14,678)	\$ (16,094)	\$ (16,583)
OTHER FINANCING SOURCES (USES)						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,007	\$ 15,000
Transfers Out	(19,660)	(19,660)	(15,000)	4,660	0	0
Total Other Financing Sources (Uses)	\$ (19,660)	\$ (19,660)	\$ (15,000)	\$ 4,660	\$ 17,007	\$ 15,000
Net Change in Fund Balance	\$ 0	\$ 0	\$ (10,018)	\$ (10,018)	\$ 913	\$ (1,583)
FUND BALANCE - Beginning of Year	131,278	131,278	131,278	0	22,513	22,513
FUND BALANCE - End of Year	\$ 131,278	\$ 131,278	\$ 121,260	\$ (10,018)	\$ 23,426	\$ 20,930

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
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GENERAL FUND
BALANCE SHEET

JUNE 30, 2004

ASSETS

Cash	
Checking and Money Market	\$ 50,100
Certificates of Deposit	58,257
Due from Other Governments	
State of Michigan	<u>13,995</u>
TOTAL ASSETS	<u>\$ 122,352</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Payroll Taxes Payable	\$ 1,092
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FUND BALANCE

Unreserved	<u>121,260</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 122,352</u>

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

<u>REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>
Taxes	\$ 52,240	\$ 38,285
Licenses and Permits	1,750	1,813
State Grants	104,650	87,305
Charges for Services	2,300	2,692
Interest and Rents	2,400	4,711
Other Revenue	7,300	6,707
Total Revenues	<u>\$ 170,640</u>	<u>\$ 141,513</u>
<u>EXPENDITURES</u>		
Legislative		
Township Board	\$ 50,050	\$ 5,145
General Government		
Supervisor	9,350	9,194
Assessor	16,150	16,124
Elections	50	260
Clerk	9,510	9,084
Board of Review	470	326
Treasurer	17,050	16,731
Building and Grounds	3,250	42,477
Cemetery	7,700	8,030
Public Safety	200	0
Public Works	5,500	10,440
Community and Economic Development	7,400	6,792
Other Functions	24,300	11,928
Total Expenditures	<u>\$ 150,980</u>	<u>\$ 136,531</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 19,660</u>	<u>\$ 4,982</u>

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers Out - Fire Fund	<u>(19,660)</u>	<u>(15,000)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 0	\$ (10,018)
<u>FUND BALANCE</u> - Beginning of Year	<u>131,278</u>	<u>131,278</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 131,278</u>	<u>\$ 121,260</u>

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
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GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

<u>TAXES</u>	<u>BUDGET</u>	<u>ACTUAL</u>
Current Property Tax	\$ 35,000	\$ 30,311
Current Personal Property Taxes	5,500	0
Trailer Fees	120	0
Payments in Lieu of Tax	610	0
Penalties and Interest on Taxes	10	13
Property Tax Administration Fees	11,000	7,961
Total Taxes	\$ 52,240	\$ 38,285
<u>LICENSES AND PERMITS</u>		
Nonbusiness Licenses	\$ 1,750	\$ 1,813
<u>STATE GRANTS</u>		
State Revenue Sharing		
Telecommunications Right of Way Maintenance	\$ 1,650	\$ 3,459
Sales and Use Tax	103,000	83,846
Total State Grants	\$ 104,650	\$ 87,305
<u>CHARGES FOR SERVICES</u>		
Sale of Cemetery Lots	\$ 1,500	\$ 2,500
Sale of Printed Materials	100	25
Land Division Fees	200	150
Ordinance Fees	500	17
Total Charges for Services	\$ 2,300	\$ 2,692
<u>INTEREST AND RENTS</u>		
Interest	\$ 300	\$ 1,286
Rents	2,100	3,425
Total Interest and Rents	\$ 2,400	\$ 4,711

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
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GENERAL FUND
ANALYSIS OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

<u>OTHER REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>
Contributions		
Private Sources	\$ 200	\$ 0
Refunds and Reimbursements	5,500	6,183
Miscellaneous	1,600	524
Total Other Revenues	\$ 7,300	\$ 6,707
TOTAL REVENUES	<u>\$ 170,640</u>	<u>\$ 141,513</u>

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

<u>LEGISLATIVE</u>	<u>BUDGET</u>	<u>ACTUAL</u>
Township Board		
Personal Services		
Salaries and Wages	\$ 0	\$ 1,875
Supplies		
Office Supplies	500	20
Operating Supplies	300	206
Postage	300	242
Other Services and Charges		
Membership and Dues	1,200	658
Contracted Services	45,000	60
Transportation	50	15
Printing and Publication	300	34
Repairs and Maintenance	500	0
Miscellaneous - Other	1,800	2,035
Education and Training	100	0
Total Legislative	<u>\$ 50,050</u>	<u>\$ 5,145</u>
<u>GENERAL GOVERNMENT</u>		
Supervisor		
Personal Services		
Salaries and Wages	\$ 7,800	\$ 7,800
Supplies		
Office Supplies	50	0
Other Services and Charges		
Communications	500	451
Transportation	900	943
Education and Training	100	0
	<u>\$ 9,350</u>	<u>\$ 9,194</u>
Assessor		
Personal Services		
Salaries and Wages	\$ 15,500	\$ 15,600

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>
Supplies		
Office Supplies	50	0
Postage	600	524
	<u>\$ 16,150</u>	<u>\$ 16,124</u>
Elections		
Supplies		
Office Supplies		
	<u>\$ 50</u>	<u>\$ 260</u>
Clerk		
Personal Services		
Salaries and Wages	\$ 7,800	\$ 7,800
Supplies		
Office Supplies	500	472
Postage	100	0
Other Services and Charges		
Contracted Services	450	430
Professional Services	110	0
Education and Training	150	145
Transportation	350	135
Miscellaneous	50	102
	<u>\$ 9,510</u>	<u>\$ 9,084</u>
Board of Review		
Personal Services		
Salaries and Wages	\$ 300	\$ 280
Other Services and Charges		
Education and Training	100	0
Transportation	0	18
Printing and Publication	40	28
Miscellaneous	30	0
	<u>\$ 470</u>	<u>\$ 326</u>
Treasurer		
Personal Services		
Salaries and Wages	\$ 10,000	\$ 9,817

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>
Supplies		
Office Supplies	250	206
Postage	1,800	1,716
Other Services and Charges		
Contracted Services	3,700	3,562
Printing and Publication	0	96
Communications	600	597
Transportation	600	667
Education and Training	100	70
	<u>\$ 17,050</u>	<u>\$ 16,731</u>
Building and Grounds		
Personal Services		
Salaries and Wages	\$ 0	\$ 180
Supplies		
Office Supplies	50	0
Operating Supplies	100	14
Other Services and Charges		
Transportation	100	0
Utilities	2,200	1,929
Repair and Maintenance	800	780
Capital Outlay	0	39,574
	<u>\$ 3,250</u>	<u>\$ 42,477</u>
Cemetery		
Personal Services		
Salaries and Wages	\$ 3,500	\$ 4,868
Supplies		
Operating Supplies	400	272
Other Services and Charges		
Contracted Services	500	445
Membership and Dues	25	0
Transportation	325	521
Utilities	250	499

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL
Repair and Maintenance	1,200	1,425
Capital Outlay	1,500	0
	<u>\$ 7,700</u>	<u>\$ 8,030</u>
 Total General Government	 <u>\$ 63,530</u>	 <u>\$ 102,226</u>
 <u>PUBLIC SAFETY</u>		
Fire Department		
Personal Services		
Salaries and Wages	\$ 200	0
 <u>PUBLIC WORKS</u>		
Refuse Collection		
Other Services and Charges		
Township Clean-up	\$ 5,500	\$ 10,440
 <u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>		
Planning and Zoning		
Personal Services		
Salaries and Wages	\$ 6,000	\$ 5,625
Supplies		
Office Supplies	50	8
Postage	50	4
Other Services and Charges		
Contracted Services	400	300
Printing and Publication	100	0
Communication	500	497
Transportation	250	333
Miscellaneous	50	25
	<u>\$ 7,400</u>	<u>\$ 6,792</u>
 Total Public Safety	 <u>\$ 7,400</u>	 <u>\$ 6,792</u>

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GENERAL FUND
ANALYSIS OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>OTHER FUNCTIONS</u>		
Employee Benefits		
Worker's Compensation	\$ 2,500	\$ 2,246
Medicare and Social Security	13,500	4,250
Other Services and Charges		
Insurance	6,000	4,207
Community Promotion	2,300	1,225
Total Other Functions	\$ 24,300	\$ 11,928
Total Expenditures	\$ 150,980	\$ 136,531
<u>OTHER FINANCING USES</u>		
Operating Transfer Out		
Fire Fund	19,660	15,000
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 170,640</u>	<u>\$ 151,531</u>

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

FIRE FUND
BALANCE SHEET

JUNE 30, 2004

ASSETS

Cash	
Checking and Money Market	\$ 14,858
Certificates of Deposit	6,072
	<hr/>
TOTAL ASSETS	\$ 20,930
	<hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 0
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FUND BALANCE

Reserved for Fire Protection	20,930
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 20,930
	<hr/>

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

<u>REVENUES</u>	<u>BUDGET</u>	<u>ACTUAL</u>
Contributions from Other Local Units		
Antioch Township	\$ 7,430	\$ 7,430
Hanover Township	3,073	3,073
Wexford Township	5,088	5,088
Charges for Services		
Fire Runs	1,000	1,255
Interest and Rents		
Interest	100	121
Other Revenue		
Contributions and Donations	200	50
Reimbursements	200	0
Miscellaneous	200	198
Total Revenues	<u>\$ 17,291</u>	<u>\$ 17,215</u>
<u>EXPENDITURES</u>		
Public Safety		
Fire Protection		
Personal Services		
Salaries and Wages	\$ 2,400	\$ 2,521
Employee Benefits		
Social Security Expense	150	149
Medicare Expense	35	35
Supplies		
Office Supplies	550	452
Operating Supplies	4,000	3,890
Gas and Oil	1,000	927
Other Services and Charges		
Contracted Services		
Volunteers - Clothing Allowance	3,500	3,321
Contracted Services	1,000	1,710
Communications	900	886
Transportation	100	504
Utilities	3,600	3,222

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL
Printing and Publishing	100	0
Dues	600	414
Insurance	8,700	9,592
Repair and Maintenance	2,000	5,314
Education and Training	600	208
Miscellaneous	150	653
Capital Outlay		
Equipment	4,000	0
Total Expenditures	\$ 33,385	\$ 33,798
Excess (Deficiency) of Revenues Over Expenditures	\$ (16,094)	\$ (16,583)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In - General Fund	17,007	15,000
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 913	\$ (1,583)
<u>FUND BALANCE</u> - Beginning of Year	22,513	22,513
<u>FUND BALANCE</u> - End of Year	\$ 23,426	\$ 20,930

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

CEMETERY TRUST FUND
(NON-EXPENDABLE)

BALANCE SHEET
JUNE 30, 2004

ASSETS

Cash	
Certificate of Deposit	\$ 5,367

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	<u>\$ 0</u>
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FUND BALANCE

Reserved for Endowments	\$ 5,150
Unreserved Designated for Cemetery Operations	217

Total Fund Balance	\$ 5,367
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,367</u>
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SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

CEMETERY TRUST FUND
(NON-EXPENDABLE)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2004

OPERATING REVENUES

Interest and Rents

Interest

\$ 217

OPERATING EXPENSES

0

Operating Income

\$ 217

FUND BALANCE - Beginning of Year

5,150

FUND BALANCE - End of Year

\$ 5,367

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

CEMETERY TRUST FUND
(NON-EXPENDABLE)

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:
Operating Income

\$ 217

CASH AND CASH EQUIVALENTS - Beginning of Year

5,150

CASH AND CASH EQUIVALENTS - End of Year

\$ 5,367

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

CURRENT TAX COLLECTION FUND
BALANCE SHEET

JUNE 30, 2004

ASSETS

Cash	
Commercial Account	
Money Market	\$ 3,198
	<u>6,508</u>
TOTAL ASSETS	<u>\$ 9,706</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Governments	\$ 9,706
--------------------------	----------

FUND BALANCE

	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 9,706</u>

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED JUNE 30, 2004

RECEIPTS

Current Tax Collections	\$	961,092	
Late Payment Penalty		235	
Overcollections from Taxpayers		1,517	
Property Tax Administration Fee		9,595	
Dog License		38	
Interest Earnings		3,649	
Total Receipts			\$ 976,126

DISBURSEMENTS

Payments to County Treasurer			
Current Tax			
County	\$	255,948	
County - State Education Tax		139,265	
Delinquent Tax and Interest		10	
Commercial Forest		55	
Late Payment Penalty		26	
Dog License Fees		20	
			\$ 395,533
Payments to Township Treasurer			
Current Tax	\$	20,729	
Commercial Forest		5	
Property Tax Administration Fee		8,298	29,032
Payments to State of Michigan			
Commercial Forest			177
Payments to School Treasurer			
Current Tax	\$	390,252	
Commercial Forest		27	390,279
Payments to Intermediate School District Treasurer			
Current Tax	\$	150,936	
Commercial Forest		6	150,942
Refund to Taxpayers for Overcollections			1,517
Bank Charges and Other			5
Total Disbursements			967,485
Excess of Receipts Over (Under) Disbursements			\$ 8,641

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF 2003 WINTER TAX ROLL
JUNE 30, 2004

TAXES ASSESSED

County	\$	313,524	
Township		30,311	
School			
Mesick Consolidated Schools		460,464	
Intermediate School			
Wexford-Missaukee		<u>185,062</u>	\$ 989,361

TAXES COLLECTED

County	\$	255,948	
Township		24,745	
School			
Mesick Consolidated Schools		390,234	
Intermediate School			
Wexford-Missaukee		<u>150,919</u>	821,846

TAXES RETURNED DELINQUENT

County	\$	57,576	
Township		5,566	
School			
Mesick Consolidated Schools		70,230	
Intermediate School			
Wexford-Missaukee		<u>34,143</u>	<u>\$ 167,515</u>

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF 2003 SUMMER TAX ROLL
JUNE 30, 2004

TAXES ASSESSED

County - State Education Tax

\$ 154,214

TAXES COLLECTED

County - State Education Tax

139,246

TAXES RETURNED DELINQUENT

County - State Education Tax

\$ 14,968

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
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JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

December 1, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Springville Township
Wexford County
Mesick, Michigan

As a result of our audit of the financial statements of Springville Township for the year ended June 30, 2004, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Township.

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

- (1) The cash disbursements for several activities in the General Fund exceeded the budget. In the future, the budget should be amended before disbursements are made which exceed budgeted amounts. All budget amendments should be a resolution of the board and recorded in the minutes.
- (2) Total cash disbursements in the Fire Fund exceeded the budget. Budgeted expenditures should always be amended to cover any excess over budget.

New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for Township financial statements. For Springville Township, these changes were implemented in the June 30, 2004, financial audit.

Some of the more significant changes required by GASB 34 are as follows:

- a) Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
- b) Several new types of financial statements are now included that report financial information on a Township-wide basis and incorporate capital assets and a provision for depreciation on those assets.

Reportable Condition in Internal Controls

In planning and performing our audit of the general-purpose financial statements of Springville Township for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal controls were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

We would like to thank the Board for its continued confidence in our firm by awarding us the audit assignment of the Township. We would also like to thank the Clerk and Treasurer for their cooperation in helping us fulfill the audit of the Township records.

If you have any questions or need assistance relative to the above items or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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December 1, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Springville Township
Wexford County
Mesick, Michigan

In planning and performing our audit of the financial statements of Springville Township, Wexford County, Mesick, Michigan for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.